

Message Text

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PAGE 01 BONN 09539 01 OF 03 141638Z

45

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 EURE-00 NEA-14 IO-14 AGR-20

CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03

INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01

AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15

PRS-01 SP-03 OMB-01 SWF-02 SAM-01 SCI-06 OIC-04 DRC-01

/228 W

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P R 141624Z JUN 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 3231

INFO AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY TOKYO

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LIMITED OFFICIAL USE SECTION 01 OF 03 BONN 09539

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: ECG: WORKING PAPER ON PROSPECTS FOR ACCELERATED INDUSTRIALIZATION AND DEVELOPMENT OF OPEC COUNTRIES

REF: (A) STATE 124265; (B) BONN 8513

1. DURING A MEETING AT THE FRG ECONOMICS MINISTRY, KRUSE (NOT TO BE CONFUSED WITH FRG, MFA, DIRECTOR OF OFFICE FOR OIL POLICY KRUSE, WHO WILL BE ATTENDING THE ECG MEETING JUNE 17-18) GAVE US A COPY OF THE FRG'S OFFICIAL ENGLISH VERSION OF THE FRG'S DRAFT PAPER ON "PROPOSED CONCLUSIONS." KRUSE SAID THIS PAPER WILL BE CIRCULATED AS IS AT THE MEETING. ADDITIONAL COMMENTS ON US SUGGESTIONS IN REFTEL A AND LIST OF FRG PARTICIPANTS WILL BE SENT BY SEPTTEL.

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PAGE 02 BONN 09539 01 OF 03 141638Z

2. TEXT OF FRG PAPER FOLLOWS:

"C. CONCLUSIONS

THE ABOVE STUDY LEADS TO THE FOLLOWING CONCLUSIONS:

10. POSSIBILITIES OF ACCELERATING ECONOMIC DEVELOPMENT IN THE OIL-PRODUCING COUNTRIES AND PROCEDURES

A) IN COMPARISON WITH THE INDUSTRIAL CONSUMER NATIONS, ECONOMIC DEVELOPMENT IN THE OIL-PRODUCING COUNTRIES IS LAGGING BEHIND PARTLY TO A RATHER CONSIDERABLE EXTENT.

IN ORDER TO ACCELERATE ECONOMIC DEVELOPMENT, ESPECIALLY INDUSTRIALIZATION IN THE OIL-PRODUCING AREAS, IT MAY ABOVE ALL BE CONSIDERED:

- TO INTENSIFY COOPERATION BETWEEN COMPANIES IN THE CONSUMER AND THE PRODUCER COUNTRIES;
- TO INTENSIFY TECHNICAL ADVISORY SERVICES;
- TO OBTAIN AND MAKE AVAILABLE TECHNICAL AND MANAGERIAL KNOW-HOW;
- TO STRENGTHEN THE PLANNING AND ORGANIZATIONAL CAPABILITIES OF INTERESTED PRODUCER COUNTRIES.

THE CONCRETE STARTING POINTS OF COOPERATION WITH THE RESPECTIVE PRODUCER COUNTRY WOULD HAVE TO BE DETERMINED ON THE BASIS OF INDIVIDUAL CASE STUDIES.

B) MOST PRODUCER COUNTRIES ARE SUFFERING FROM A SEVERE LACK OF SKILLED LABOUR.

WITHIN THE FRAMEWORK OF IMPROVED COOPERATION, THE INDUSTRIALIZED NATIONS SHOULD THEREFORE MAKE EFFORTS

- TO CONTRIBUTE MORE STRONGLY TO THE TRAINING OF SKILLED LABOUR AND
- MAKE AVAILABLE EXPERTS TO THE PRODUCING AREAS.

IT SHOULD NOT BE OVERLOOKED, HOWEVER, THAT THE TRANSFER OF KNOW-HOW BY MAKING AVAILABLE EXPERTS FOR LIMITED PERIODS OF TIME MAY MEET WITH DIFFICULTIES LIMITED OFFICIAL USE

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PAGE 03 BONN 09539 01 OF 03 141638Z

BECAUSE OF LABOUR SHORTAGES FROM WHICH A GREAT NUMBER OF INDUSTRIALIZED COUNTRIES ARE SUFFERING THEMSELVES IN VARIOUS SECTORS (CF. 11 F.).

C) ONE PROBLEM THAT SHOULD BE GIVEN PRIORITY IN THE EFFORTS TO INDUSTRIALIZE THE PRODUCER COUNTRIES IS THE QUESTION ON WHAT BASIS THIS PROCESS SHOULD BE INITIATED AND PROMOTED.

THE EXPERIENCE GAINED IN THIS SECTOR SO FAR SUGGESTS
TO SET UP CHIEFLY SUCH ENERGY AND CAPITAL INTENSIVE
BRANCHES OF INDUSTRY AS MAY SERVE AS GROWTH POINTS
AND LEAD TO THE BUILDING UP OF A DIVERSIFIED AND
SELF-SUSTAINING INDUSTRIAL STRUCTURE.

D) BEFORE ENGAGING THEMSELVES IN DOMESTIC INVESTMENT
OPERATIONS ON A MAJOR SCALE, THE OIL-PRODUCING
COUNTRIES WOULD BE WELL ADVISED TO EXAMINE
WITH GREAT CARE THE CONDITIONS AND CHANCES OF

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PAGE 01 BONN 09539 02 OF 03 141639Z

42

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 EURE-00 NEA-14 IO-14 FEA-02

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

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USIA-15 PRS-01 SP-03 OMB-01 SWF-02 SAM-01 SCI-06

DRC-01 OIC-04 /230 W

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P R 141624Z JUN 74

FM AMEMBASSY BONN

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LIMITED OFFICIAL USE SECTION 02 OF 03 BONN 09539

SUCCESS OF THE INDIVIDUAL PROJECTS. ON PRINCIPLE,

PLANS DESIGNED TO LAY THE FOUNDATIONS OF ECONOMIC DEVELOPMENT PROMISING TO BE SUCCESSFUL IN THE LONG TERM (E.G. EDUCATION AND TRAINING, PLANNING CAPABILITIES) SHOULD BE GIVEN PRIORITY OVER ANY SHORT TERM IMPLEMENTATION OF SPECTACULAR PROJECTS.

E) EFFECTIVE SUPPORT OF ECONOMIC DEVELOPMENT IN THE PRODUCER COUNTRIES MAY CONSIST OF MULTILATERAL COOPERATION BETWEEN CONSUMER COUNTRIES DESIGNED TO SERVE PRECISELY THAT PURPOSE. THE FORMS OF SUCH COOPERATION SHOULD BE DETERMINED BY THE CONSUMER COUNTRIES WITHIN THE FRAMEWORK OF OECD BY ADOPTING GUIDELINES LIMITED OFFICIAL USE

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PAGE 02 BONN 09539 02 OF 03 141639Z

CONCERNING MUTUAL INFORMATION AND CONSULTATION. IN THE CASE OF LARGER PROJECTS JOINTTALKS OF THE CONSUMER WITH INTERESTED PRODUCER COUNTRIES SHOULD BE CONSIDERED ON QUESTIONS OF ECONOMIC COOPERATION.

F) BILATERAL ACTIONS PLANNED OR IMPLEMENTED BY INDIVIDUAL CONSUMER COUNTRIES IN THE FIELD OF ECONOMIC COOPERATION WITH INDIVIDUAL PRODUCER AREAS MAY IMPAIR OR EVEN PREVENT MULTILATERAL SOLUTIONS.

IN ORDER TO PRECLUDE ANY SUCH COLLISION OF INTERESTS, ARRANGEMENTS SHOULD BE MADE FOR THE HARMONIZATION OF BILATERAL EFFORTS WITH MULTILATERAL SOLUTIONS FOR INSTANCE BY SETTING UP A CONSULTATION PROCEDURE WITHIN OECD.

11. EFFECTS ON WORLD TRADE AND INVESTMENT

A) IN THE LIGHT OF MORE RECENT WORLD ECONOMIC DEVELOPMENTS, IT HAS BECOME EVEN MORE URGENT TO BRING THE RAW MATERIAL PRODUCING COUNTRIES TO PARTICIPATE MORE ACTIVELY IN THE MULTILATERAL TRADE NEGOTIATIONS OF GATT AND TO PUT ON THE AGENDA OF THOSE NEGOTIATIONS THE TRADE POLICY QUESTIONS ARISING BETWEEN THEM AND THE CONSUMER COUNTRIES.

THE AIM SHOULD BE THE AVOIDANCE OF EXPORT RESTRICTIONS AND MONOPOLISTIC RAW MATERIAL PRICE INCREASES AND CORRESPONDING CODIFICATION IN THE GATT.

B) WITHIN THE FRAMEWORK OF THE GATT TRADE NEGOTIATIONS IT WILL BE NECESSARY TO CONSIDER HOW ACCESS TO THE MARKETS OF THE INDUSTRIALIZED NATIONS CAN BE MADE EASIER FOR THE DEVELOPING COUNTRIES.

FROM AMONG THE POSSIBILITIES LENDING THEMSELVES TO
THIS PURPOSE, THE EXTENSION OF TARIFF PREFERENCES
FOR AND THE ELIMINATION OF TRADE RESTRICTIONS
VIS-A-VIS DEVELOPING COUNTRIES MIGHT FOR INSTANCE
BE CONSIDERED.

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PAGE 03 BONN 09539 02 OF 03 141639Z

C) BILATERAL ARRANGEMENTS BETWEEN CONSUMERS AND
PRODUCERS MAY JEOPARDIZE THE PATTERNS OF WORLD
TRADE AND IMPAIR INTERNATIONAL ECONOMIC INTEGRATION.
SUCH ARRANGEMENTS SHOULD THEREFORE BE FRAMED IN A
WAY THAT WOULD AVOID DISCRIMINATION. THIS AIM SHOULD
BE SAFEGUARDED BY A MULTILATERAL AGREEMENT (E.G.
WITHIN OECD).

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PAGE 01 BONN 09539 03 OF 03 141639Z

45

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D) IN THE INTEREST OF THE HARDEST HIT DEVELOPING COUNTRIES, THAT IS THE NON-OIL LDC'S, ARRANGEMENTS SHOULD BE MADE FOR TRANSFERRING TO THEM CAPITAL SURPLUSES OF THE PRODUCER COUNTRIES. ONE CONTRIBUTION OF THE CONSUMER COUNTRIES TO SUPPORTING THESE EFFORTS MAY BE THE OFFER TO MAKE AVAILABLE TECHNICAL AND MANAGERIAL KNOW-HOW TO THE DEVELOPING COUNTRIES.

E) IT CANNOT BE IGNORED THAT THERE MAY BE ECONOMIC AND POLITICAL LIMITS TO LARGE-SCALE INVESTMENT BY THE OIL-PRODUCING IN THE CONSUMER COUNTRIES. SUCH INVESTMENT MAY PUSH INFLATIONARY PROCESSES AND LEAD TO UNDESIRE CONCENTRATION.

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PAGE 02 BONN 09539 03 OF 03 141639Z

IN PARTICULARLY GRAVE CASES CONTROL MEASURES OF THE CONSUMER COUNTRIES SHOULD NOT BE EXCLUDED.

F) THE ABILITY OF THE INDUSTRIALIZED STATES TO MAKE AVAILABLE TO THE OIL PRODUCING NATIONS GOODS AND EXPERTS MAY BE LIMITED BECAUSE OF MACRO-ECONOMIC OR SECTORAL BOTTLENECKS. THE CONSUMER COUNTRIES SHOULD THEREFORE MAKE THE RESERVATION THAT -- IN THE BEST INTEREST OF ALL COUNTRIES CONCERNED -- THESE CAPACITY LIMITS SHOULD NOT BE EXCEEDED. A DECELERATION OF ECONOMIC DEVELOPMENT -- NOTABLY OF INDUSTRIALIZATION -- IN THE OIL PRODUCING COUNTRIES CAN THEREFORE NOT BE EXCLUDED IN THIS CASE."

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, LESS DEVELOPED COUNTRIES, INDUSTRIAL DEVELOPMENT, TRADE, ENERGY
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN09539
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740155-0124
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740646/aaaabmxy.tel
Line Count: 319
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE 124265; (B) BONN 8513
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by izenbei0>; APPROVED <17 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECG: WORKING PAPER ON PROSPECTS FOR ACCELERA- TED INDUSTRIALIZATION AND DEVELOPMENT OF OPEC COUNTRIES
TAGS: ENRG, ECG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005